



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
Committee Member
Staff: City Manager
Finance Director
Business & Housing Director
Assistant to the City Manager

Mike Roorda
Hedy Chang
Larry Carr
Ed Tewes
Jack Dilles
Garrett Toy
Melissa Stevenson Dile

SPECIAL MEETING

Wednesday, March 24, 2004

MINUTES

5:03 P.M.

CALL TO ORDER

Chair Roorda and Committee Member Chang; (Committee Member Carr arrived at 6:43 PM)

Staff: Dilles, Toy, Dile, and Reza

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of minutes for March 16, 2004

The minutes for March 16, 2004, were approved.

2. Return on Investments for General Fund

Committee Member Carr stepped out of the room because this topic is to be discussed by the Economic Development Committee and he is also a member of that Committee. The Committee discussed what return on investments the City might earn on its General Fund "investments" and again reviewed the proposed guidelines. Committee Member Chang indicated that she did not want to see specific language in the proposed guidelines regarding drawing down the General Fund Reserve below 25%, but was comfortable for that document to reference the existing City Council approved policy concerning General Fund reserve requirements. The Committee voted to send the proposed guidelines, including a reference to reserve requirements, to the City Council for forwarding on to the Economic Development Committee. Staff indicated that the guidelines would be promptly brought to the City Council.

3a). Review Revenue Enhancement Options for City Council Consideration (Discussion)

3b). Review Timeline for Revenue Enhancement Options

The Committee discussed the updated list of potential revenue sources available to the City. Chair Roorda began the discussion by asking which revenue sources are fair and doable. Ultimately, the Committee will need to justify certain revenue sources to the City Council and comment on which are needed. Committee Member Carr indicated that transit occupancy taxes should be eliminated because there is not enough money there to solve the financial target. He also indicated that the admissions tax should be eliminated because it is not viable.

Regarding user charges, City Manager Tewes indicated that the City Council has adopted procedures to charge for the full cost of services and that the words "...recent action maximizing revenues" would be deleted from the matrix of fees since there is room to raise fees such as field rental fees.

Chair Roorda asked how the Committee should structure criteria for identifying the best revenue options. Committee Member Carr responded that the Committee ought to say to the City Council that the City has economic development funds projected and in addition here is a list of potential revenue options along with criteria for evaluating those options. City Manager Tewes added that the report to the City Council should also state that community input on these options is necessary, consistent with the City Council's stated goal.

Committee Member Carr indicated that there could be two reasons to consider a November 2004 ballot revenue measure: first, a general tax measure could not be placed on the November 2005 ballot without a unanimous declaration of the City Council of a fiscal emergency because that date is not a date on which there is scheduled to be a City

Council election and, second, a measure approved by the voters in November 2005 would earn the City revenue over only half of the 2005/06 year in which the Council has approved raising \$800,000. He went on to say that it is bad public policy to count on hoped for revenues, such as potential economic development revenues, at any cost.

The Committee unanimously agreed to eliminate transit occupancy taxes, admission taxes, and culinary taxes from the list of revenue options.

4. February 2004 Finance & Investment Report

This item was not discussed due to time constraints

5. Purchasing Procedures

Assistant to the City Manager Dile presented the staff report, describing the process that staff had pursued in completing the study. The report included 21 recommendations, most of which could be administratively implemented. The report included 3 recommendations that would require City Council approved changes in the Municipal Code. Staff was looking for Committee feedback and recommendations prior to presenting the report to the City Council.

Committee Member Chang asked if it would be possible to get quotes every 3 or 4 times for items costing less than \$2,500. Chair Roorda added that, in the current budgetary environment, there is a strong incentive for staff to get the best price. The Committee agreed that this requirement should be added to proposed procedures. Staff will make this change.

Chair Roorda asked about the approval of purchases by City staff. He indicated that he believed department heads should sign off on all purchases over \$1,000, and the Committee agreed. Staff will also make this change and will bring the revised study recommendations to the City Council for their consideration.

6. Future Agenda Items (Discussion)

None.

ADJOURNMENT: 7:00 P.M.

NOTICE
AMERICANS WITH DISABILITY ACT (ADA)

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